

**BYLAWS  
OF  
MELROSE BUSINESS IMPROVEMENT ASSOCIATION**

**A California Nonprofit Mutual Benefit Corporation**

**ARTICLE I. OFFICES**

**SECTION 1.1        PRINCIPAL OFFICE**

The principal office for the transaction of the business of the corporation (“principal executive office”) is located at 6720 Melrose Avenue Los Angeles, CA 90046. The directors may change the principal office from one location to another. Any change of this location shall be noted by the secretary on these Bylaws opposite this section, or this section may be amended to state the new location.

**SECTION 1.2        OTHER OFFICES**

The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business

**ARTICLE II. OBJECTIVES AND PURPOSES**

The primary purpose of the corporation is to revitalize, develop, restore, protect, promote, and maintain that portion of Melrose Avenue between Highland and Fairfax Avenues in the City of Los Angeles, California in order to make it a more successful, attractive, and popular destination for: tourists, shoppers, property owners, business owners and others. In furtherance of the foregoing purposes, from time to time, the corporation intends to enter into agreements with the City, other governmental or quasi-governmental entities, or private entities.

Nothing in this Article II or in any other Article of these Bylaws shall be construed as a limitation on the purposes or powers of the corporation. Notwithstanding any other provision of these Bylaws, the corporation shall not carry on any activities not permitted to be carried on by a corporation exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code of 1986 as amended.

**ARTICLE III. DEDICATION OF ASSETS**

No part of the net earnings or assets of the corporation shall ever inure to the benefit of any director or officer of the corporation or to the benefit of any private individual whatsoever (except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes).

## ARTICLE IV. MEMBERS

The corporation shall have no members.

## ARTICLE V. DIRECTORS

### SECTION 5.1 POWERS

a. Voting and Other Rights. Any section, which would, by operation of law or otherwise, require a vote of members shall require only a vote of the directors. All rights, which would, by operation of law or otherwise, vest in the members, shall vest in the directors.

b. Corporate Powers. Subject to the provisions of the California Nonprofit Corporation Law and any limitations in the Articles of Incorporation and these Bylaws, the business and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the board of directors. Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

- i. Select and remove all officers, agents, and employees of the corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation and with these Bylaws; fix their compensation; and, require from them security for faithful service.
- ii. Conduct, manage and control the affairs and business of the corporation, and make such rules and regulations therefore not inconsistent with law, with the Articles of Incorporation or with these Bylaws, as they may deem appropriate.
- iii. Change the principal executive office of the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency or country and conduct business within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting or meetings, including annual meetings.
- iv. Adopt, make and use a corporate seal; and, alter the form of the seal.
- v. Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes and other evidences of debt.

## SECTION 5.2 NUMBER AND SELECTION OF DIRECTORS AND RESTRICTIONS ON DIRECTORS

- a. Authorized number. The authorized number of directors shall be not less than three (3) nor more than twenty one (21), the exact number to be fixed from time to time by a majority of the then authorized and acting directors. The initial authorized number of directors of the corporation shall be five (5) until changed by the directors. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of said director's term of office, unless a director is affirmatively removed as hereinafter provided.
- b. Staggered terms. The directors shall be divided into three (3) classes as nearly equal in number as may be. At the annual meeting of the board of directors held in 2014, a class of one (1) director shall be elected for a one (1) year term, a class of two (2) directors shall be elected for a two (2) year term, and a class of two (2) directors shall be elected for a three (3) year term. Commencing with the annual meeting of the board of directors held in 2015 and at each succeeding annual meeting of the board of directors, successors to the class of directors whose terms expire at such annual meeting shall be elected for a three (3) year term. If the number of directors is changed, any increase or decrease in directors shall be apportioned among the classes so as to maintain the number of directors comprising each class as nearly equal as possible. Any additional directors of a class shall hold office for a term that will coincide with the remaining term of the other directors of the class. Each director, including a director elected to fill a vacancy, shall hold office until expiration of the term for which elected and until a successor has been elected and qualified.
- c. Eligibility to be a director. Each director shall be a natural person who is a commercial parcel owner (collectively "parcel owner") in good standing, or who is an authorized representative of a parcel owner in good standing, as defined below. A director need not be a resident of the State of California. Upon standing for election as a director, he or she represents that he or she meets all eligibility requirements set forth in these Bylaws. Once elected in accordance with these Bylaws, a director has no power to appoint or designate anyone else to carry out his or her rights or duties as a director, including the right to vote.
  - i. Commercial parcel owner. As used in these Bylaws, a commercial parcel owner means the owner or long-term (more than 10 years) NNN lessee of one or more parcels of real property that is included in, and assessed under, the

business improvement district managed by the corporation (each such parcel shall be referred to hereinafter as a "parcel").

- a. Authorized Representative. As used in these Bylaws, an authorized representative of a commercial parcel owner shall be:
  1. A full-time employee of the commercial parcel owner who serves with the written permission of the commercial parcel owner and has express power to make commitments on behalf of the commercial parcel owner in matters related to governing the association; or
  2. A member of the commercial parcel owner's family with the express power to make commitments on behalf of the commercial parcel owner in matters related to governing the association.
  3. For the sake of clarity, a parcel owner's authorized representative as defined above must be identified prior to his or her election as a director in accordance with these Bylaws and may not be appointed by a director after his or her election.
- ii. Good standing. As used in these Bylaws, a parcel owner is in "good standing" only if such parcel owner is not delinquent with respect to any referenced assessments relating to such parcel owner's parcel(s).
- iii. Any determination required under these Bylaws as to the identity of the parcel owners or the parcels, and as to whether a parcel owner is in good standing, shall, for purposes of a person standing for his or her initial election as a director, be based solely upon the applicable records of the County of Los Angeles as they exist at the time such determination is required, without regard to any litigation, challenge, or dispute of record or otherwise. Such determinations with respect to existing directors shall be made by the board of directors.

- d. Selection. The board of directors shall be selected as follows:
- i. Initial directors. The initial directors shall be elected by the incorporators' named in the corporation's Articles of Incorporation.
  - ii. Subsequent directors. At the expiration or earlier termination of the terms of office of the initial directors, their successors shall be chosen by a majority vote of the members of the board of directors then in office, whether or not less than a quorum, or by a sole remaining director.
  - iii. Election process. The election process for the election of directors to be held at each annual meeting of the board of directors, commencing with the first annual meeting held in 2014 shall be governed by the provisions of this Section 5.2.d.iii.
    - a. Appointment of nominating committee. By August 1 of each year, the chairman of the board shall appoint a nominating committee consisting of at least three persons who may be directors whose terms are not set to expire at the next annual meeting or other natural persons (non-directors) that will not seek nomination as a director at the next annual meeting. The nominating committee for 2014 shall consist of all of the initial directors as described above. Promptly following the appointment of the nominating committee, the chairman of the board shall cause to be distributed to each director the names of the appointees to the nominating committee. The nominating committee shall select its own chairman.
    - b. Solicitation of names for consideration. Before the end of August of each year, the nominating committee shall deliver written notice to each parcel owner of the number of directors to be elected at the next annual meeting and of such parcel owner's right to submit to the nominating committee, within not less than calendar ten (10) days, the names of persons for consideration by the nominating committee for nomination.

- c. Nomination of slate of nominees. Before the end of September of each year, the nominating committee shall nominate a number of persons for election at the annual meeting equal to the number of directors to be elected at that next annual meeting. To the extent advisable, as determined by the nominating committee, the slate of persons nominated by the nominating committee (i) shall reflect the diversity of all of the parcels in terms of their respective geographic locations (e.g. location along Melrose Avenue) and in terms of their respective uses (e.g., retail, restaurant, theater, office, school, or other use), and (ii) shall include one or more persons from the names submitted by parcel owners in accordance with subparagraph (d) of this Section 5.2. Before nominating a person, the nominating committee shall make reasonable efforts (i) to determine whether such person meets the eligibility requirements under Section 5.2.c hereof, and (ii) to interview such person to ensure that he or she is otherwise qualified (as determined by the nominating committee), and (iii) is willing to serve as a director if elected. Unless the slate of persons nominated by the nominating committee is duly contested in accordance with subparagraph (d) of this Section 5.2, such slate of persons shall be declared by the board of directors at the next annual meeting to have been duly elected.
- d. Contesting slate of nominees. Before the end of October, the nominating committee shall deliver written notice to each parcel owner of the slate of persons nominated by the nominating committee and of such parcel owner's right to nominate one or more additional persons for election by delivering to the nominating committee, within ten (10) days, a petition signed by no less than twenty parcel owners in good standing for each alternate person nominated for election. The signature of a parcel owner that owns more than one (1) parcel shall count for one (1) signature.

- e. Conduct of elections. If the slate of persons nominated by the nominating committee is duly contested in accordance with subparagraph (d) of this Section 5.2, the nominating committee shall conduct an election in the following manner: before the end of November, the nominating committee shall deliver to each parcel owner a ballot listing the nominees of the nominating committee and the additional nominees duly nominated by petition, together with a brief description of the election process. A return envelope, on which the word "ballot" is imprinted in the lower left-hand corner, shall be enclosed with each ballot mailed. Only parcel owners in good standing will be entitled to vote. Each parcel owner shall be entitled to one (1) vote per director to be elected per parcel(s) owned by such parcel owner. Cumulative voting shall not be permitted. Only official ballots received at the principal executive office before five o'clock (5:00 p.m.) on the specified voting deadline day shall be counted.
- f. Tabulation of ballots. The nominating committee shall serve as the election committee and shall meet promptly the date set forth in the last sentence of subparagraph (e) of this Section 5.2 to do the following:
1. Determine the persons that are entitled to vote;
  2. Receive and determine the validity of the ballots;
  3. Hear and determine all challenges and questions in any way arising in connection with the right to vote;
  4. Count and tabulate all votes;
  5. Determine the result; and

6. Do any other acts that may be proper to conduct the election.
7. The nominees receiving the highest number of affirmative votes up to the number of directors to be elected are elected; votes against a person and votes withheld shall have no legal effect. The chairman of the nominating committee shall announce the results of the election at the annual meeting of the board of directors.

### SECTION 5.3 VACANCIES

- a. Events Causing Vacancy. A vacancy or vacancies in the board of directors shall be deemed to exist on the occurrence of the following:
  - i. The death or resignation of any director;
  - ii. The declaration by resolution of the board of directors of a vacancy of the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony, or has been found by final order or judgment of any court to have breached a duty under Sections 7230 and following of the California Nonprofit Mutual Benefit Corporation Law;
  - iii. The vote of a majority of the directors then in office to remove a director;
  - iv. An increase in the authorized number of directors; or,
  - v. The failure to elect the number for directors to be elected at a meeting at which any director or directors are to be elected.
  - vi. In addition, if any director shall fail to attend three (3) consecutive regular meetings of the board of directors, without leave of absence by the president, then such director shall be deemed to have automatically resigned and the vacancy may be filled for the balance of the unexpired term by the board of directors. Any decision of the president shall be announced at the board meeting that it affects and may be reviewed by the board of directors only at the next board meeting, and at that time, if not challenged by a majority of the board then present, the decision shall be deemed reasonable, final, and not subject to subsequent review.



b. Resignations. Except as provided in this paragraph, any director may resign, which resignation shall be effective on giving written notice to the chairman of the board of directors, the president, the secretary, or the board of directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office as of the date when the resignation becomes effective. Except upon notice to the Attorney General, no director may resign when the corporation would then be left without a duly elected director or directors in charge of its affairs.

e. Vacancies Filled by Directors. Vacancies on the board of directors may be filled by the affirmative vote of a majority of the remaining directors then in office, though less than a quorum, or by the sole remaining director. Any director elected to fill a vacancy shall have the same term as that of his or her predecessor, or, if such vacancy is a result of an increase in the number of directors, as that of the other directors of the class of which he or she shall be a member.

f. No Vacancy on Reduction of Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

g. Restriction on Interested Directors. Not more than 49% of the persons serving on the board of directors at any time may be interested persons. An interested person is:

- i. Any person being compensated by the corporation for services rendered to it within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; or,
- ii. Any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person. Any violation of the provisions of this paragraph shall not, however, affect the validity or enforceability of any transaction entered into by the corporation.

#### **SECTION 5.4 EX-OFFICIO AND HONORARY DIRECTORS**

The Executive Director shall be an ex-officio member of the board of directors. The Executive Director shall not be entitled to vote on any matter brought before the board of directors, nor shall she or he count toward the authorized number of directors. The president may appoint up to three (3) honorary members of the board of directors for one (1) year terms. No honorary member of the board of directors shall be entitled to vote on any matter brought before the board of directors, nor shall she or he count toward the authorized number of directors.

#### **SECTION 5.5 PLACE OF MEETINGS, MEETINGS BY TELEPHONE**

Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by the president / secretary. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation each month. Special meetings of the board of directors shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice, or if there is no notice, at the principal executive office of the corporation. Notwithstanding the above provisions of this Section 5.5, a regular or special meeting of the board of directors may be held at any place consented to in writing by all board of directors members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, as long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at each meeting.

**SECTION 5.6 ANNUAL MEETING**

Annual meetings of the board of directors shall be held for the purpose of organization, election of directors and officers and the transaction of other business. Annual meetings shall be held in December of each year beginning in 2014. Notice of this meeting shall not be required.

**SECTION 5.7 OTHER REGULAR MEETINGS**

Other regular meetings of the board of directors shall be held without call at such time, as shall from time to time be fixed by the board of directors. Such regular meetings may be held without notice.

**SECTION 5.8 SPECIAL MEETINGS**

a. Authority to Call. Special meetings of the board of directors for any purpose may be called at any time by the chairman of the board of directors, if any, the president, the vice president / secretary, or any two directors.

b. Notice.

i. Manner of giving. Notice of the time and place of special meetings shall be given to each director by one of the following methods: (a) by personal delivery or written notice; (b) by first-class mail, postage paid; (c) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; (d) by facsimile; or, (e) by e-mail. All such notices shall be given or sent to the director's address or telephone number, or facsimile number, or e-mail address as shown on the records of the corporation.

ii. Time requirements. Notices sent by first class mail shall be deposited into a United States mailbox at least four days before